

Fiscal Services Division

Legislative Services Agency

Fiscal Note

HF 2302 - Gambling (LSB 6473 H-8147.4)

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Fiscal Note Version – Senate Amendment H-8568 to House File 2302

Description

Senate Amendment H-8568 maintains the gaming tax rates established in the Bill, allows for table games at all racetrack casinos, allows for conversion of a riverboat to a barge, provides for prepayment of taxes upon the issuance of a table gaming license at a racetrack casino, provides for a retro-active additional tax on racetrack casinos for FY 2003 and FY 2004, provides for Rebuild Iowa Infrastructure Fund (RIIF) assessments on excursion gambling boats, and removes the moratorium on the issuance of new excursion gambling boat licenses in the Bill.

Assumptions

1. The adjusted gross revenues are based on the March 19, 2004, Revenue Estimating Conference estimate and assumes no change in the adjusted gross revenue (AGR) between FY 2005 and FY 2006.
2. The Racing and Gaming Commission (Commission) estimates that table gaming licenses would not be purchased until at least the later half of FY 2005 and there would be little or no increased gaming tax revenues until FY 2006. Assumes that all racetrack casinos will apply for table games licenses in FY 2005 and only Prairie Meadows will operate table games for the full year in FY 2006. A refundable fee of \$10.0 million for Prairie Meadows and Council Bluffs and \$3.0 million for Dubuque will be paid for the licenses, and a tax credit of 20.0% of the fees per year for five years beginning in FY 2009 will be used to offset the fees.
3. Maintains the Bill differential tax on racetrack casinos of 22.0% AGR on those below \$100.0 million in AGR and 24.0% on those above \$100.0 million in AGR with table games. Should Bluffs Run decide not to expand with table games, its tax rate would then be 22.0% of AGR. However, whether or not Dubuque or Prairie Meadows adds table games, their rates would remain 22.0% and 24.0% respectively.
4. All excursion gambling boats will pay 22.0% on AGR.
5. The new tax rate retains the current tax rate of 5.0% on the first \$1.0 million and 10.0% on the next \$2.0 million of AGR.
6. The State will receive a one-time payment of a non-refundable gambling games tax (\$23.6 million) from the racetrack casinos from a Rebuild Iowa Infrastructure Fund (RIIF) assessment payable in FY 2004. The excursion gambling boats will receive RIIF assessments of 2.152% of their FY 2005 and FY 2006 AGR payable in those years (\$15.0 million each year). The assessments to the boats are refundable as tax credits of 20.0% of the assessments over a five-year period, beginning in FY 2010.
7. Allows for the issuance of new excursion gambling boat licenses. Assumes that if the Racing and Gaming Commission would authorize any new boat licenses, the licensees would not be able to begin operation until at least FY 2007. Fees for new boats would be \$5.0 million if in a county with a population less than 15,000, \$10.0 million for a population between 15,000 and 100,000, or \$20.0 million with a population of 100,000 or more. The Racing and Gaming Commission would continue to have the authority to grant these licenses if they determine it appropriate.

Correctional Impact

The correctional impact of Senate Amendment H-8568, cannot be determined due to insufficient information. However, a person under age 21 who is caught gambling at a racetrack casino or gambling boat is guilty of a scheduled violation with a fine of \$500, and a person allowing a person

under 21 to gamble is guilty of a simple misdemeanor. Based on the level of convictions for similar offenses under current law, the impact is not expected to be significant.

Fiscal Impact

Senate Amendment H-8568 will generate \$23.6 million in one-time racetrack receipts to Rebuild Iowa Infrastructure Fund (RIIF) in FY 2004 from a retro-active gaming receipts tax payable June 1, 2004.

In FY 2005, the Amendment will generate an estimated \$201.8 million in State gaming tax receipts, the same amount as the Bill. In FY 2006, the Amendment will generate an estimated \$211.7 million in State gaming tax receipts, a decrease of \$5.7 million compared to the Bill. This difference is due to the assumption under the Bill that both Prairie Meadows and Council Bluffs would operate table games for the full year in FY 2006 compared to the Amendment analysis that only Prairie Meadows will operate the table games for the full year.

All racetrack casinos will pay the licensing fee for table games in FY 2005 generating \$23.0 million for the RIIF in one-time license fees. Beginning in FY 2009, these racetrack casinos will take a tax credit of 20.0% each year over a five-year period. Under the Bill, only Prairie Meadows and Council Bluffs were assumed to purchase the licenses in FY 2005 for a total of \$20.0 million.

The Amendment adds a FY 2005 and FY 2006 Rebuild Iowa Infrastructure Assessment of 2.152% of AGR generating \$15.0 million each year for RIIF, payable June 1 of each year. The Assessment can be taken as a 20.0% per year tax credit for five years beginning in FY 2010.

The Amendment retains the Bill provision that gaming tax receipts to cities and counties would remain at 0.5% of adjusted gross receipts (\$5.0 million each) and the Gambler's Treatment Fund and the new Community Endowment Fund would also receive 0.5% (\$5.0 million each).

Changing from an admissions tax to a regulatory fee for regulation of the racetrack casinos will result in a reduction in receipts to the Rebuild Iowa Infrastructure Fund of \$600,000 in FY 2005.

Retains the Bill provision to increase from 0.3% to 0.5% the amount of gross lottery revenue deposited into the Gambler's Treatment Fund, resulting in an estimated \$349,000 increase for the Fund and an equal reduction to the General Fund.

Sources

Racing and Gaming Commission
Legislative Services Agency
Department of Human Rights, Criminal and Juvenile Justice Planning Division

Dennis C Prouty

April 15, 2004

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

Exhibit 1

					FY 2005 Rebuild Iowa Infrastructure Assessment				FY 2006 Rebuild Iowa Infrastructure Assessment
	Estimated AGR FY 2004	Current Law Gaming Tax 20.0% FY 2004	Estimated AGR FY 2005	Senate Tax Structure 24%/22%		Estimated AGR FY 2006	Senate Tax Structure 24%/22%		
Racetracks									
Bluffs Run - Slots	\$ 125,600,000	\$ 23,137,200	\$ 123,682,000	\$ 24,326,400	\$ 0	\$ 123,682,000	\$ 24,326,400	\$ 0	
Bluffs Run - Table Games									
Dubuque Greyhound Park - Half Year	43,900,000	7,859,300	41,819,000	7,953,800	0	41,819,000	7,953,800	0	
Dubuque - Table Games									
Prairie Meadows - Hlf Year	163,200,000	30,168,400	157,581,000	34,197,820	0	157,581,000	34,197,820	0	
Prairie Meadows - Table Games						45,000,000	9,900,000		
Total Tracks	\$ 332,700,000	\$ 61,164,900	\$ 323,082,000	\$ 66,478,020	\$ 0	\$ 368,082,000	\$ 76,378,020	\$	

		FY 2005 Rebuild Iowa				FY 2006 Rebuild Iowa			
		Current Law				Current Law			
		Gaming Tax 20.0%				Gaming Tax 20.0%			
		FY 2004	FY 2005	FY 2006	FY 2007	FY 2004	FY 2005	FY 2006	FY 2007
Excursion Gambling Boats	Estimated AGR FY 2004		Estimated AGR FY 2005	Senate Tax Structure 22%	Infrastructure Assessment	Estimated AGR FY 2006	Senate Tax Structure 22%	Infrastructure Assessment	
Rhythm City (Davenport)	\$ 73,800,000	\$ 13,450,600	\$ 76,054,000	\$ 14,800,800	\$ 1,636,682	\$ 76,054,000	\$ 14,800,800	\$ 1,636,682	
Mississippi Belle (Clinton)	28,200,000	4,923,400	27,556,000	5,101,200	593,005	27,556,000	5,101,200	593,005	
Diamond Jo Casino (Dubuque)	53,800,000	9,710,600	48,926,000	9,375,200	1,052,888	48,926,000	9,375,200	1,052,888	
Catfish Bend (Burlington/Ft. Madison)	29,700,000	5,203,900	31,090,000	5,808,000	669,057	31,090,000	5,808,000	669,057	
Belle of Sioux City (Sioux City)	43,400,000	7,765,800	45,486,000	8,687,200	978,859	45,486,000	8,687,200	978,859	
Isle of Capri Marquette (Marquette)	41,900,000	7,485,300	41,035,000	7,797,000	883,073	41,035,000	7,797,000	883,073	
Isle of Capri Bettendorf (Bettendorf)	104,800,000	19,247,600	100,518,000	19,693,600	2,163,147	100,518,000	19,693,600	2,163,147	
Harrahs (Council Bluffs)	111,200,000	20,444,400	108,265,000	21,243,000	2,329,863	108,265,000	21,243,000	2,329,863	
Amestar Casino (Council Bluffs)	155,800,000	28,784,600	165,316,000	32,653,200	3,557,600	165,316,000	32,653,200	3,557,600	
Lakeside (Osceola)	60,000,000	10,870,000	52,834,000	10,156,800	1,136,988	52,834,000	10,156,800	1,136,988	
Total Boats	\$ 702,600,000	\$ 127,886,200	\$ 697,080,000	\$ 135,316,000	\$ 15,001,162	\$ 697,080,000	\$ 135,316,000	\$ 15,001,162	
Total Racetracks and Boats	\$ 1,035,300,000	\$ 189,051,100	\$ 1,020,162,000	\$ 201,794,020	\$ 15,001,162	\$ 1,065,162,000	\$ 211,694,020	\$ 15,001,162	

Adjusted Gross Receipts (AGR).

Net State Gaming Tax receipts only, and maintains the current law tax rate of 5.0% of the first million of AGR and 10.0% of the next \$2.0 million.

Effective Tax Rate is net of the current distribution to cities, counties, Gambler's Treatment Fund, and the new County Endowment Fund (0.5% of AGR each).

Assumes no table games in FY 2005.

Assumes all tracks will purchase a table game license in FY 2005, however, only Prairie Meadows will operate them during FY 2006.

The \$23.0 million from the license fees for table games in FY 2005 is deposited into the Rebuild Iowa Infrastructure Fund (RIIF).

Any license for table games may be recovered as a tax credit of 20.0% for five years beginning in FY 2009.

Assumes no change in AGR between FY 2005 and FY 2006.

The Retro-active Additional Tax on the tracks will be paid by June 1, 2004.

The FY 2005 and FY 2006 Rebuild Iowa Infrastructure Assessments to the boats of 2.152% on FY 2005 AGR will be paid by June 1, 2005 and June 1, 2006.

Both FY 2005 and FY 2006 Rebuild Iowa Infrastructure Assessments to the boats are refundable as a tax credit of 20.0% per year for five years beginning in FY 2010.

Retro-active Additional Tax on Racetrack Casinos

	Actual Adjusted Gross Revenue	Retro-active Additional Tax	Estimated AGR for	Retro-active Additional Tax	Rate for Each
	FY 2003	4.0%/2.0%/4.0%	FY 2004	4.0%/2.0%/4.0%	Track
Racetracks					
Bluffs Run	\$ 123,141,064	\$ 4,805,643	\$ 125,600,000	\$ 4,904,000	4.00%
Dubuque	41,335,064	766,701	43,900,000	818,000	2.00%
Prairie Meadows	150,421,234	5,896,489	163,200,000	6,408,000	4.00%
	\$ 314,897,362	\$ 11,469,193	\$ 332,700,000	\$ 12,130,000	

Impact of Gaming Receipts on Rebuild Iowa Infrastructure Fund

	Est. FY 2004	Est. FY 2005	FY 2005 Assessment	Est. FY 2006	FY 2006 Assessment
Total Racetracks and Boats	\$ 189,051,100	\$ 201,794,020	\$ 15,001,162	\$ 211,694,020	\$ 15,001,162
Admission fees, regulatory fees, and pari-mutuel tax	3,973,100	3,368,100	0	3,368,100	0
Total Taxes and Fees	<u>\$ 193,024,200</u>	<u>\$ 205,162,120</u>	<u>\$ 15,001,162</u>	<u>\$ 215,062,120</u>	<u>\$ 15,001,162</u>
Allocations					
General Fund	\$ 60,000,000	\$ 60,000,000	\$ 0	\$ 60,000,000	\$ 0
Vision Iowa	15,000,000	15,000,000	0	15,000,000	0
School Infrastructure	5,000,000	5,000,000	0	5,000,000	0
Endowment for Iowa's Health Account	70,000,000	70,000,000	0	70,000,000	0
Rebuild Iowa Infrastructure Fund	43,024,200	47,000,000	15,001,162	47,000,000	15,001,162
Secure an Advanced Vision for Ed.	0	8,162,120	0	10,000,000	0
Rebuild Iowa Infrastructure Fund	0	0	0	8,062,102	0
Total	<u>\$ 193,024,200</u>	<u>\$ 205,162,120</u>	<u>\$ 15,001,162</u>	<u>\$ 215,062,102</u>	<u>\$ 15,001,162</u>
Total Rebuild Iowa Infrastructure Fund	\$ 43,024,200	\$ 47,000,000	\$ 15,001,162	\$ 55,062,102	\$ 15,001,162